

Message Text

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ACTION EA-09

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E.O. 11652: N/A
TAGS: ETRD, ENRG, JA, US
SUBJECT: JAPANESE REACTION TO AUTO REBATE PLAN: NIHON KEIZAI
SHIMBUN ARTICLE

1. FOLLOWING AS PROMISED SEPTEL IN THE FULL TEXT OF EMBASSY
TRANSLATION OF PAGE 2, MAY 17 NIHON KEIZAI ARTICLE, DATELINED
WASHINGTON, SPURRED BY TREASURY SECRETARY BLUMENTHAL'S TESTIMONY
BEFORE HOUSE WAYS AND MEANS COMMITTEE ON AUTO REBATE SCHEME:

2. "MEASURES TO COPE WITH SHARP INCREASE IN IMPORTS OF FOREIGN-
MADE AUTOMOBILES WITH HIGH FUEL EFFICIENCY; EXPRESSED BY US
SECRETARY OF THE TREASURY; TO PRESS FOR CONCESSIONS AT
NEGOTIATIONS WITH JAPAN.

3. (WASHINGTON, MAY 16, CORRESPONDENT OKAI) US SECRETARY OF
THE TREASURY BLUMENTHAL CLARIFIED ON THE 16TH "SOME FORMULA
OR OTHER" FOR THE PREVENTION OF A SHARP INCREASE IN AUTOMO-
BILES WITH HIGH FUEL EFFICIENCY, WHICH PRESIDENT CARTER
PROPOSED, IS NOW BEING STUDIED. HIS INTENTION IS TO AVOID
CLEAR-CUT RESTRICTION MEASURES, SUCH AS AN IMPORT ALLOCATION
SYSTEM, BUT HE SAYS THAT "THE OTHER COUNTRIES WILL BE
MADE TO UNDERSTAND THAT IT IS UNREASONABLE FOR THE
SHARES OF FOREIGN-MADE AUTOMOBILES IN THE US MARKET
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TO RISE SHARPLY." THERE IS A STRONG POSSIBILITY THAT,
AFTER THE PASSAGE OF THE LAW BILL, US-JAPAN AUTOMOBILE
NEGOTIATIONS WILL BE CONDUCTED, WITH THIS TAX REBATE
PROBLEM INTERTWINED WITH THE INCREASE IN THE IMPORTS
OF JAPANESE-MADE AUTOMOBILES.

4. THE US HOUSE WAYS AND MEANS COMMITTEE STARTED

STUDYING, FROM THE SAME DAY, PRESIDENT CARTER'S ENERGY PLAN, FROM THE TAXATION FIELD, IN REGARD TO PROBLEMS INTERTWINED WITH THE TAXATION SYSTEM, SUCH AS TAXATION AND TAX REBATE, BASED ON FUEL EFFICIENCY, IT DECIDED THAT THEY WILL BE APPLIED, RETROACTIVELY FROM APRIL 20, 1977 (THE DAY THE PRESIDENT ANNOUNCED HIS PLAN), REGARDLESS OF THE CONTENTS OF THE LAW BILL. THIS IS BECAUSE THERE HAVE STARTED TO APPEAR UNDERSIRABLE EFFECTS ON THE MARKET, SUCH AS THE CONSUMERS' REFRAINING FROM MAKING PURCHASES, IN THE MIDST OF THE SWIRLS OF VIEWS, FOR AND AGAINST THIS ENERGY TAX SYSTEM.

5. FROM THE VERY START, HEATED ARGUMENTS WERE EXCHANGED AT THE SAID COMMITTEE OVER THE CRITICISM AGAINST THE CARTER PROPOSAL, ESPECIALLY IN CONNECTION WITH THE POSITION OF TAXES ON AUTOMOBILES WITH LOW FUEL EFFICIENCY AND A TAX REBATE FOR AUTOMOBILES WITH HIGH FUEL EFFICIENCY. MEANWHILE, IN LOS ANGELES, AT THE UAW CONVENTION HELD THERE, CHAIRMAN WOODCOCK MADE THE STATEMENT THAT "PRESIDENT CARTER'S PLAN WILL NOT ONLY OFFER 20 MILLION DOLLARS IN REBATES TO FOREIGN-MADE AUTOMOBILES, BUT IT ALSO WILL HAVE THE EFFECT OF INCREASING PAYMENTS TO FOREIGN AUTOMOBILE MANUFACTURERS BY 200 MILLION DOLLARS A YEAR." FOR THIS REASON, THE MEMBERS OF THE COMMITTEE PURSUED SECRETARY BLUMENTHAL VERY SHARPLY.

6. TOWARD THIS, THE SAID SECRETARY REPLIED: (1) I DO NOT SUBSCRIBE TO THE VIEW OF COMPLETELY EXCLUDING IM-

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PORTED CARS FROM THE OBJECTS. THE GOVERNMENT CONSIDERS IT A PROBLEM OF NEGOTIATIONS WITH THE EXPORTING COUNTRIES. (2) DISCRIMINATION AS TO FOREIGN-MADE AUTOMOBILES WILL BE IN VIOLATION OF THE TRADE PRINCIPLES OF GATT. (3) CONSEQUENTLY, WE WILL NOT TAKE SUCH MEASURES AS THE ADOPTION OF QUOTAS. STANDING ON THE ABOVE POSITION, THE SECRETARY POINTED OUT THAT NEGOTIATIONS WITH OTHER COUNTRIES ON THE CLAUSE OF THE LAW BILL, WHICH SAYS THAT "IN REGARD TO FOREIGN-MADE AUTOMOBILES, OTHER THAN AMERICAN AUTOMOBILES AND CANADIAN AUTOMOBILES, AGREEMENTS WILL BE CONCLUDED AND THEY WILL BE MADE THE OBJECTS OF REBATES," WILL PROBABLY BE EXTREMELY DIFFICULT.

7. SECRETARY OF THE TREASURY BLUMENTHAL AVOIDED MAKING ANY REFERENCE TO THE CONTENTS OF THE NEGOTIATIONS, BUT SAID THAT "IN ORDER TO PREVENT FOREIGN-MADE AUTOMOBILES FROM SEIZING A LARGE SHARE OF THE US MARKET AND TO PREVENT THEIR TAKING AWAY

JOBS, I WISH TO DEVISE 'SOME FORMULA OR OTHER.'"
HE FURTHER TESTIFIED THAT, EVEN IF IT DOES NOT GO TO
THE POINT OF RESTRICTING IMPORTS, HE "WILL HAVE THE
EXPORTING NATIONS UNDERSTAND THAT IT WILL BE IMPROPER
FOR FOREIGN MANUFACTURERS TO HOLD A LARGE SHARE OF THE
US MARKET."

8. VIEWED IN THE LIGHT OF THIS STATEMENT, THE OUT-
LOOK IS STRONG THAT, IN THE CASE OF THE PASSAGE OF THE
LAW BILL FOR TAX REBATES FOR CARS WITH HIGH FUEL EF-
FICIENCY, US-JAPAN AUTOMOBILE NEGOTIATIONS, IN THE FORM
OF MAINTAINING A CERTAIN FIZED SHARE OR OF A VOLUNTARY
RESTRAINT, WILL DEVELOP ON A FULL-SCALE, IN REGARD TO
THE IMPORTS OF JAPANESE-MADE AUTOMOBILES, WHICH HAVE
ESPECIALLY HIGH FUEL EFFICIENCY. IT IS THOUGHT THAT
THE CARTER ADMINISTRATION WILL PRESS FOR JAPAN'S
CONCESSIONS, ON THE STRENGTH OF THE ECONOMIZATION OF
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ENERGY AND THE PROTECTION OF THE AUTOMOBILE INDUSTRY."
SHOESMITH

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